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SUBJECT: JAPANESE MORNING PRESS HIGHLIGHTS 02/28/07

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- 4) Deputy National Security Adviser Crouch in news conference says it will take time before North Korea can be removed from terrorist-supporting nation list
- 5) Defense Minister Kyuma tells Deputy National Security Adviser Crouch that he envisaged "no problem" in the relocation of Futenma to an alternate site

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- 7) Prime Minister Abe orders new JNSC to study possibility of using right of collective self-defense
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legal, does not infringe on freedom of conscience

Nihon Keizai:

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3) Prime Minister's Official Residence (Kantei)

Prime Minister's schedule, February 27

NIHON KEIZAI (Page 2) (Full)  
February 28, 2007

08:28

Met supporters of Lower House member Masatoshi Ishida in the Diet building.

08:32

Attended a cabinet meeting. Agriculture Minister Matsuoka stayed behind. Followed by METI Minister Amari.

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09:30

Met Deputy Chief Cabinet Secretary Matoba at the Kantei.

11:15

Met Diet Affairs Committee Chairman Nikai.

13:15

Listened to a speech by Mongolian President Enkhbayar in the Upper House plenary session.

14:15

Met Ambassador to Russia Saito and Foreign Ministry's European Affairs Bureau Director General Harada at the Kantei, with Assistant Deputy Chief Cabinet Secretary Ando and others.

16:54

Met Special Advisor Nemoto.

17:35

Met former Finance Minister Shiokawa and Nippon Budokan Hall President Katsuhiko Aoki.

17:42

Attended a meeting on strengthening the Kantei's functions related to national security.

18:04

Attended a meeting of the Council on Economic and Fiscal Policy.

19:42

Met Japan IBM Supreme Advisor Takeo Shiina, Kikkoman Corp. Chairman Tomosaburo Mogi and others at the ANA Hotel.

21:50

Returned to his official residence.

4) It "will take time" to remove DPRK from the list of state sponsors of terror: US deputy national security advisor

MAINICHI (Page 2) (Full)  
February 28, 2007

Takayasu Ogura

Visiting US Deputy National Security Advisor Jack Crouch yesterday met with the press including the Mainichi Shimbun. Referring to the recent six-party agreement stating that the United States will begin the process for removing North Korea from the list of the state sponsors of terror, Crouch indicated it would take time to remove that country, noting: "In order to remove it from the list, we must satisfy our Congress. Frankly speaking, that is not an easy task."

He continued: "There is not only a political problem but also a legal one. In order to remove North Korea from the list, North Korea and other state sponsors of terror (such as Iran and Cuba) must follow the same procedures. It will take time to do so."

Meanwhile, on Japan's assistance to Iraq and Afghanistan, Crouch stated, "It's incorrect to think that I am visiting Japan in order to make a special request," but he added, "In Afghanistan, assistance for improving roads and power supply is necessary, in

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addition to the security area." He thus expressed the hope for Japan's aid in the area of infrastructure.

5) "Don't worry" about Futenma relocation

NIHON KEIZAI (Page 2) (Full)  
February 28, 2007

Defense Minister Fumio Kyuma yesterday met with visiting US Deputy National Security Advisor Jack Crouch at the Defense Ministry. On the deadlocked issue of relocating the US Marine Corps' Futenma Air Station (in Ginowan City, Okinawa), Kyuma stressed, "The United States doesn't have to worry," and asked the US to watch and wait on the process of coordination with local residents. Touching on the US force transformation, Crouch stated, "We have placed more emphasis on the realignment of things relating to the Japan-US alliance than redeployment of forces." He thus called on Japan to implement the plans Japan and the US agreed last May as swiftly as possible.

6) JNSC: Leaks subject to severe penalties

ASAHI (Page 1) (Full)  
February 28, 2007

A government panel released a report yesterday featuring a plan to launch a new body called the Japan National Security Council (JNSC), which is to build Japan's diplomatic and security strategies. The panel, with Prime Minister Abe presiding, has discussed measures to consolidate the functions of the prime minister's office (Kantei) on national security. The JNSC's planned establishment is a step to strengthen the Kantei's functions and is aimed at enabling the prime minister to make prompt policy decisions with a small number of cabinet ministers. In addition, the panel report also suggests the necessity of creating a law at an early date to protect secrets with severe punishment against leaking secrets related to national security.

The government will introduce a package of relevant legislative measures to the Diet during its current session, including a bill to revise the Security Council of Japan (SCJ) Establishment Law. The government eyes launching the JNSC in April next year. Meanwhile, another government panel, chaired by Chief Cabinet Secretary Shiozaki, has been discussing how to strengthen the government's intelligence-gathering functions. This panel is also expected to work out a report today and recommend measures, such as creating rules to provide information to the JNSC.

In its report, the Abe panel proposes reorganizing the current SCJ and establishing the JNSC as a new body for a small number of members. The JNSC is to be made up of the prime minister and three cabinet ministers: the chief cabinet secretary, the foreign minister, and the defense minister. The panel first considered including the finance minister, but the finance minister is not included. The JNSC will discuss diplomatic and security strategies and will also consult on how to deal with emergency situations, such as an armed attack against Japan. The outcome of JNSC meetings will constitute the government's course of action with cabinet endorsement.

The JNSC is to call in the prime minister's special advisor for national security affairs. In addition, other cabinet ministers and the Self-Defense Forces' joint staff office chief are also to attend

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JNSC meetings as needed. The JSC's framework will be retained to discuss Japan's national defense program guidelines (NDPG) and other matters.

The JNSC's secretariat will be staffed with 10-20 persons, including SDF officers and private-sector experts. A special advisor to the prime minister can concurrently serve as chief of the JNSC's secretariat. Two assistant chief cabinet secretaries, one for

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foreign affairs and the other for security and crisis management, are to serve concurrently as deputies to the chief of the JNSC's secretariat. In addition, the report also specifies the necessity of

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creating a law to strictly punish those who leak secrets, saying it is one of the most important tasks in protecting information. The report seeks new legislation, suggesting the necessity of establishing safeguards to protect secrets, such as obligating JNSC officials to protect secrets with particularly heavy confidentiality.

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In this connection, the prime minister told reporters at his office yesterday evening: "We will discuss whether the Diet can enact the bills into law during the current session, but we should remain cautious in our discussion on legislating measures to protect secrets."

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7) Abe suggests that JNSC will study collective self-defense right

TOKYO SHIMBUN (Page 2) (Full)  
February 28, 2007

Prime Minister Shinzo Abe last night indicated that the Japanese-style National Security Council (JNSC) would look into the issue of Japan exercising the right to collective self-defense, which is now prohibited under the government's interpretation of the Constitution. "The NSC might study it, as necessary," he said.

Nobuo Ishihara, chairman of the council to strengthen the Prime Minister's Official Residence's (Kantei) national security functions, which just produced a report on the Japanese-style NSC, also indicated that the JNSC would discuss this matter ahead of other issues. Abe and Ishihara were responding to questions from reporters at the Kantei.

8) Cabinet Intelligence Council to be expanded

NIHON KEIZAI (Page 2) (Full)  
Eve., February 27, 2007

A government panel to step up the government's intelligence-gathering capability will make public its interim report this week. According to the report revealed yesterday, the panel, chaired by Chief Cabinet Secretary Yasuhisa Shiozaki, proposes expanding the Cabinet Intelligence Council's functions and members. The CIC currently meets twice a year or so for information exchanges at the subcabinet level. In the report, the CIC is positioned as a control tower of intelligence functions and is to direct government ministries and agencies to collect and analyze information needed for the government's policy planning.

The CIC, chaired by the chief cabinet secretary, is made up of vice ministers from four central government offices, including the Foreign Ministry and the Defense Ministry, and reports domestic and international situations. However, each of the CIC member offices is

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prone to report extremely important information directly to the prime minister or the chief cabinet secretary. The CIC cannot necessarily integrate or share necessary information, according to a

government official.

The panel has therefore made a fundamental review of the CIC's character. Meanwhile, the panel report suggests the need for the CIC to expand its members, including the chief of the secretariat to the Japan National Security Council (JNSC), a newly planned body to be tasked with planning foreign and security policies. The panel will also study a system under which the CIC can meet frequently.

In addition, the panel also proposes setting up intelligence analyst posts in the Cabinet Intelligence and Research Office. The intelligence analysts, including those from the private sector, will be positioned under the director of cabinet intelligence. They are to evaluate information in a report to the CIC and other government offices on various themes, such as the issue of North Korea's nuclear weapons programs.

9) Russia's presidential mission focuses on practical gains, sidestepping "territorial issue," aims to expand trade

TOKYO SHIMBUN (Page 2) (Full)  
February 28, 2007

Shohei Yoshida

Russia's Premier Fradkov arrived in Japan yesterday, together with a group of his country's entrepreneurs. Ahead of him, Industry & Energy Minister Khristenko and his group arrived in Japan on Feb. 26 and are now here in Japan. Combining that group, Russia has dispatched a "grand economic mission" of some 200 persons to Japan. A top-level Russian official's visit to Japan followed the one by President Putin in 2005. Russia places emphasis on practical gains, putting aside the northern territories issue, as it did before.

It is often the case with Russia that it prioritizes economic affairs over the territorial issue. In fact, when Putin visited Japan, some 140 Russian business leaders, along with him, visited Japan. The Japan Business Federation (Nippon Keidanren) hosted a forum for them.

In Russia, foreign and security policies are under the jurisdiction of the president. Fradkov is number two in Russia following the president, but he is in charge of trade and economic affairs. His mission is accordingly more economic-oriented.

According to Fradkov's itinerary, he is to meet with Prime Minister Abe, to speak at the Japan-Russia investment forum to be attended by 400 business leaders from the two countries, and also to meet separately with leaders of Japanese companies. Russia apparently is using this mission as leverage to expand economic and trade ties with Japan.

The trade value between Japan and Russia has been on the rapid increase over the past three years. Economic affairs going ahead of other matters between Japan and Russia have become evident even in statistics since Putin's visit to Japan in 2005.

In 2002, the number of the member firms of the Japan Chamber of Commerce and Industry in Moscow totaled 60, but the membership has

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increased 2.5 times to 153 (as of February 2007). Japan's direct investment in Russia also doubled from the year earlier and reached 10.6 billion yen in 2005.

However, in a comparison in Japan's trade value between Russia and South Korea, which is on the same GDP scale as Russia, the trade value between Russia and Japan is only one-sixth of that between South Korea and Japan. Personnel exchanges between Japan and Russia, too, are a mere 150,000 or so, much fewer than that with other trade partners.

Japan and Russia are still far away from each other, just as the gap over the territorial issue remains wide.

10) Abe sees no problem in Nakagawa's remarks on China's military

buildup

ASAHI (Page 4) (Full)  
February 28, 2007

In a speech, Liberal Democratic Party Policy Research Council Chairman Shoichi Nakagawa said in view of China's rapid military buildup: "Japan might become a Chinese province." Touching on this statement, Prime Minister Shinzo Abe said yesterday: "People used to say that Japan would become America's 51st state. It is meaningless to take out part of a speech and discuss it." Abe was talking to a group of reporters at his official residence.

Nakagawa said in the speech in Nagoya on Feb. 26:

"(The economy) of a major power across from the narrow strip of the sea has grown 10% annually. Its military spending has been growing at a pace of 15% to 18%. If something happens to Taiwan in the next 15 years, Japan might become a Chinese province over the next two decades."

11) China rebuts Nakagawa's statement

ASAHI (Page 4) (Full)  
February 28, 2007

Yusaku Yamane, Beijing

In reaction to Liberal Democratic Party Policy Research Council Chairman Shoichi Nakagawa's statement underlining the need to keep tabs on China's rapid military buildup, Chinese Foreign Ministry spokesman Qin Gang said in a press conference yesterday:

"What is the true purpose of constantly making a big fuss over China as if it is a threat. Japan's landmass is 25 times smaller than that of China, and its population is 10 times smaller. Despite that, Japan's military spending is enormous, which is absurd. China's military spending is 67% of Japan's, and only 7% per capita."

12) Minshuto drafts bill correcting social disparities, readying education and Iraq countermeasures

NIHON KEIZAI (Page 2) (Slightly abridged)  
February 28, 2007

The main opposition party, Minshuto (Democratic Party of Japan), yesterday drafted the outline of an emergency measures bill to

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correct the social divide, featuring a hike in the minimum wage to an average of 1,000 yen nationwide. Minshuto has set the narrowing of the income gap in society as the main issue at the current session of the Diet. In a bid to make a clear distinction between the party's position and that of the government of Prime Minister Shinzo Abe with the July House of Councillors election in mind, the largest opposition party intends to submit to the Diet measures against the government-sponsored bills on education reform and Iraqi reconstruction assistance. As the ruling parties have strengthened criticism of Minshuto's such an election strategy as impracticable, heated debate will likely occur at the Diet.

"Deliberations on the budget at the House of Representatives are crucial, and we will face real debate after the deliberations," Minshuto Acting President Naoto Kan said in a strong tone yesterday at the beginning of a meeting of the project team to deal with the social disparities.

Countering the Abe administration, which has positioned constitutional reform as the main campaign issue for the July Upper House race, Minshuto has come up with a strategy of placing priority on policies that deal with the daily lives of the people. In addition to a hike in the minimum wage, Minshuto's social-gap correction bill includes: (1) realization of the same wage for the same labor, (2) promotion of the status of part-time workers to that of permanent workers, (3) a ban on age-discrimination when advertising and hiring and regarding with an eye on a huge number of

retirements of baby boomers.

Prime Minister Abe is negative about the idea of raising the minimum wage across the board, and he commented: "We should be careful so as not to bring pressure on small businesses." Liberal Democratic Party (LDP) Secretary General Hidenao Nakagawa also cast a doubt toward the idea in a party yesterday in Tokyo. He said: "Smaller companies will not pay a minimum wage of 1,000 yen."

Minshuto President Ichiro Ozawa, since assuming his current post, has five times adopted the strategy of boycotting Diet debate, including one against the ruling coalition's voting on the bill revising the Basic Education Law without the presence of opposition parties, as well as an all-out boycott against the ruling camp's rejection to its call for dismissing Health, Labor and Welfare Minister Hakuo Yanagisawa. However, he has failed to reflect his party's policies in the government-sponsored bills through deliberations with the ruling parties, even though his party submitted counterproposals to the education reform bill and other legislation.

13) Asano starts coordination, with eye on running in Tokyo gubernatorial election; Minshuto may support but not endorse him

TOKYO SHIMBUN (Page 1) (Excerpts)  
February 28, 2007

Shiro Asano, 59, former governor of Miyagi Prefecture, has started coordination with an eye to running in the Tokyo gubernatorial election in April. Asano told reporters after delivering a speech in Fuchu, Tokyo, yesterday, "Although I am confused (about the upsurge of calls among citizens for my candidacy), I have to make a response in an adult way."

Asano has been sounded out by Minshuto (Democratic Party of Japan)

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as a potential candidate. But in a public meeting in Tokyo on Feb. 25, he said in response to participants' calls for his candidacy, "I am so moved, I don't know what to say." Asano appears intent on winning broad support without showing any political coloring. In a press conference yesterday, Minshuto President Ichiro Ozawa indicated an understanding of Asano's intention, remarking, "We do not mean that we must absolutely make him our party's own candidate."

14) Eto submits to LDP letter asking for reinstatement; Prime Minister Abe hurries to put end to the matter

NIHON KEIZAI (Page 2) (Full)  
February 28, 2007

Seiichi Eto, a postal rebel and a former House of Representatives member, yesterday submitted to the ruling Liberal Democratic Party (LDP) a letter asking the LDP to let him rejoin. His submission of the letter seems to be in line with the intention of Prime Minister Shinzo Abe, who aims to draw a curtain on the matter. However, some LDP lawmakers are unhappy with Eto's sudden reinstatement into the party since the party had originally decided to let him join after the House of Councillors election in July. The LDP will likely reinstate Eto into it in early March and endorse as an official candidate (for the Upper House race). There is also a view in the LDP calling on the party not to endorse him as a candidate for the election, just allowing him to return to the party.

Abe told reporters last night: "I think a final timing for the Upper House election is approaching. Mr. Eto is the only person who submitted a letter to the party. But nothing has been decided." Eto submitted the letter to the LDP just four days after Abe had revealed his intention to let him rejoin. This move stemmed from the judgment that the prolongation of the issue might weaken political impetus, as well as lower the cabinet support rates.

Another reason is that LDP Secretary General Hidenao Nakagawa, who had been reluctant to let Eto rejoin, was forced to change his policy, intertwined with his remark calling on the cabinet



ministers' "loyalty" to the prime minister. In his meeting with Lower House member Seishiro Eto, chairman of the LDP Oita prefectural chapter, Nakagawa conveyed the party's conditions for the reinstatement and endorsement of Seiichi Eto: (1) the party will follow the prefectural chapter's policy and (2) an election office will be set outside the prefecture.

Most LDP members are critical of Abe's decision. In a meeting yesterday Takeshi Noda pointed out that the party's standards for reinstating and endorsing former Lower House members were unclear. Taku Yamasaki and Koichi Kato in their meeting last night agreed on the perception that it is not desirable that the prime minister made that decision because Eto is his friend."

As senior member of the Machimura faction, who senses the mind of the New Komeito, which is concerned about a negative impact on election cooperation with the LDP, stressed: "The party should reconsider whether to field him as a proportional representation candidate even though it will allow him to rejoin." A government source said, "There will be no" reaction by voters, but many observers are concerned about an adverse effect on the election.

15) Yamasaki, Kato complain about prioritizing friendship

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TOKYO SHIMBUN (Page 2) (Full)  
February 28, 2007

Former Liberal Democratic Party Vice President Taku Yamasaki, former Secretary General Koichi Kato, and others met in Tokyo last night

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and shared the view that the question of reinstating former Senior Vice Health Minister Seiichi Eto, a postal rebel, must not be resolved based on friendship ties.

One participant commented on party management: "The air of free discussion in the party has diminished. The party leadership must realize that members may look obedient on the surface but they are rebellious inside." Another member noted about Secretary General Hidenao Nakagawa's remarks calling for loyalty to Prime Minister Shinzo Abe: "Such will create a bad image as if we were living in a country like North Korea."

The participants included 11 senior members of the Asia policy and security vision study group led by Yamasaki.

16) Eto presents letter asking LDP to allow him to return

ASAHI (Page 4) (Excerpts)  
February 28, 2007

Ruling Liberal Democratic Party (LDP) Secretary General Hidenao Nakagawa asked Party Ethics Committee Chairman Takashi Sasagawa to discuss the issue of whether to reinstate Seiichi Eto, a postal rebel who lost his House of Representatives seat in the 2005 election. The expectation is that the LDP will endorse Eto as a proportional representation candidate for the House of Councillors election after the committee decides to let him rejoin the party. Giving consideration to concerns of the Oita prefectural chapter and New Komeito that the decision would have a negative impact on cooperation between the LDP and New Komeito in the Upper House election campaign, the LDP leadership has made it a condition that Eto will not campaign in Oita Prefecture.

Eto handed to Nakagawa a written pledge expressing his intention to support postal privatization. Nakagawa told Eto that he should move his address from Oita Prefecture and that he should not campaign in Oita. Eto accepted these conditions. Nakagawa set out the conditions in order to maintain election cooperation with the New Komeito.

17) European, US investment funds occupy upper echelon of list of Nikko Cordial Group's stockholders: Battle being fought with eye on reorganization of the group

Moves in the financial services industry are heating up with eye the delisting of Nikko Cordial Group, the third largest securities houses in Japan from the Tokyo Stock Exchange (TSE).

If Nikko were delisted, it would lose even more customers, resulting in curtailed business activities and a decline in business performances. Chances are that in the event its delisting becomes certain and its stocks are put in the liquidation post at the TSE, domestic and foreign investment funds would purchase its stocks through a takeover bids at low prices and sell Nikko's group

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companies at the highest prices.

Several European and US investment funds have already purchased Nikko stocks with eye on the group's reorganization. They now have about 6% stake in the company, occupying the top three positions in the list of its stockholders, overtaking the CitiGroup, a leading US financial institution, and the Mizuho Financial Group - both have 5% stake in Nikko. It is viewed that leading financial groups will purchase Nikko stocks through a takeover bid for the purpose of selling the acquired stocks at the highest price. Executives of the Nikko Cordial Group are increasingly alarmed about the move with one saying, "If our stocks are delisted, they will be traded at bargain prices."

Assuming the worst-case scenario, Nikko has searched for the possibility of going under a wing of a leading financial group or entering a business tie-up. Leading domestic and foreign financial groups have informally offered help to Nikko.

The CitiGroup, which has invested in Nikko since the late 1990s, is considering placing Nikko under its umbrella to use it as its base in Japan. It is now coordinating views with the possibility of raising its stake to over 33.3% so that it can have a veto on key issues at stockholders meetings. It is also considering the possibility of wholly owning Nikko if it is delisted.

The Mizuho Financial Group is also pressing ahead with efforts to expand its securities business, as can be seen its plan to merge Mizuho and Shinko Securities Houses - both are its group companies - next January. It has started looking into the possibility of bailing out Nikko. If Mizuho's plan realizes in the form of not countering the CitiGroup but extending helping hand jointly with it, chances are that the two leading Japanese and US financial institutions will seal a tie-up deal with Nikko in between. The Mitsubishi UFJ Financial Group has also sounded out the possibility of extending cooperation to Nikko with the aim of recovering from its late start in the securities business. There is no knowing how the competition over Nikko will develop.

18) Trade in greenhouse gas emission credits to start in Japan in June

TOKYO SHIMBUN (Page 8) (Full)  
February 28, 2007

The nation's first exchange for countries and companies to trade greenhouse gas emission rights will be established in June.

Preparations for opening the exchange are being pushed mainly by the Japan Bank for International Cooperation and the Cho Mitsui Trust and Banking Company. The two banks expect to officially announce this plan. They are also calling on other major trust and banking companies to participate.

A number of countries have introduced emissions trading. By establishing an exchange, Japan aims to make it easy to purchase foreign emission credits from developing countries as part of efforts to meet its target set in the Kyoto Protocol.

The Kyoto Protocol, which set its signatories' targeted reductions in greenhouse gas emissions, allows the countries to purchase

emission rights from other countries or foreign companies.

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The planned exchange is a virtual one with no specific place or organization. Under the plan, buyers and sellers open bank accounts, sellers deposit their emission credits as a trust asset, while buyers purchase the rights.

Japan will make it possible for foreign companies to open bank accounts and call on companies in potential seller countries, such as China and India, to take part in the exchange. The Japan Bank for International Cooperation, which has know-how on emissions trading, will offer assistance in managing the exchange.

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